Monetary Sovereignty and Modern Monetary Theory: A Roadmap for Personal, Social, and Environmental Well-Being

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Introduction

Modern Monetary Theory (MMT) has moved from being a heterodox current to a central reference in the debate on the future of economic policy. However, it has also been the target of fierce criticism that often oversimplifies its proposals or directly associates it with hyperinflation and fiscal disaster. This article argues that, far from being a dangerous recipe, properly understood MMT is a democratising tool that makes it possible to prioritise people's well-being, social cohesion and environmental sustainability – provided it is articulated with a clear strategy of real investment, trade agreements in domestic currency and regulation of the private banking system.

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1. What Is Monetary Sovereignty?

A State is monetarily sovereign when:

- It issues its own fiat currency (not linked to a gold standard or a foreign currency).
- It does not borrow in a currency it does not control.
- It maintains a flexible exchange rate and, where appropriate, capital controls to avoid speculative flights.

Under these conditions, the State cannot "go bankrupt" in its own currency: it can always pay its bills by creating the necessary money (Wray, 2015). The real limit is not financial, but the availability of productive resources (labour, raw

materials, technology) and the inflationary pressure that excess demand may generate (Mosler, 2010).

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2. From Theory to Practice: How MMT Can Drive Well-Being

MMT does not prescribe spending without criteria. On the contrary, it requires careful planning oriented toward the use of idle resources. Its potential for well-being unfolds in three dimensions:

2.1 Personal Well-Being

- **Employment guarantee of last resort:** The State commits to hiring every unemployed person who wants to work, on socially useful projects (elderly care, reforestation, maintenance of public spaces, etc.). This eliminates the suffering of involuntary unemployment and sets a wage floor that raises labour market conditions (Minsky, 1986; Tcherneva, 2020).
- **Decent and affordable housing:** Issuing money to build mass public housing – as China has done, achieving a homeownership rate close to 90% (Huang, 2012) – reduces the cost of living and frees up income for other consumption. Contrary to what critics argue, an orderly correction of housing prices is beneficial, not a problem.
- **Universal healthcare and education:** Financing through issuance allows these services to be expanded without depending on prior tax collection, as long as doctors, teachers and infrastructure are available.

2.2 Social Well-Being

- **Reduction of inequality:** By financing public services and a job guarantee, MMT acts as an automatic stabiliser that reduces the gap between rich and poor (Kelton, 2020). Unlike bank bailouts, money is directed to the real economy.

2.3 Environmental Well-Being

- **Just energy transition:** Issuing money to install solar panels, refurbish buildings, expand electric transport and decontaminate rivers not only creates jobs, but also reduces future costs (cheaper energy, clean water, health). MMT allows us to overcome the false dilemma between "austerity today" and "sustainability tomorrow" (Jackson, 2017).
- **Ecological limits as a guide:** The real limit is the productive capacity of the economy, which includes the availability of natural resources.

> Therefore, MMT is compatible with ecological planning: one cannot issue money to build motorways if that means destroying wetlands, but one can issue it to restore them.

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3. Response to Common Criticisms

3.1 "Monetary issuance always generates hyperinflation"

Response: This is not true if the economy has idle resources. Hyperinflation occurs when money is issued without increasing the real production of goods and services that the population needs (Cagan, 1956). Weimar Germany or Zimbabwe are not examples of MMT, but of collapsed states that printed money to pay external debt in foreign currency or to sustain regimes without a productive base.

By contrast, Hitler's Germany between 1933 and 1936 (with all its moral miseries) achieved full employment through a monetary expansion – the MEFO bills – that mobilised unemployed resources, without hyperinflation (Silverman, 1998). And if that same policy had been oriented toward housing, hospitals or renewable energies, the result would have been even better for the population. Inflation depends on what is financed, not on how much is issued.

3.2 "The case of China shows that MMT generates bubbles and unsustainable debt"

Response: China has issued massively for decades and has lifted hundreds of millions of people out of poverty, while achieving that 90% of the urban population are homeowners – something unthinkable in the West, where rent consumes up to 50% of wages (Yang & Chen, 2021). The fact that a speculative real estate bubble has formed is a problem of regulation and credit orientation, not of issuance itself. Moreover, the Chinese government has allowed real estate companies to go bankrupt without bailing out speculators, protecting buyers. A poorly managed asset bubble can be a problem, but it is not inherent to MMT.

3.3 "The pandemic showed that monetary expansion causes deferred inflation"

Response: Post-2021 inflation had multiple causes: supply chain bottlenecks due to reopening after lockdowns, the energy and food shock derived from the war in Ukraine, and sanctions against Russia and China (Blanchard, 2022; OECD,

2022). Without these real factors, monetary expansion would probably have translated into growth, not inflation. Indeed, Japan has expanded its monetary base for decades without inflation (Wray, 2018). MMT has never denied that excess demand chasing restricted supply generates inflation; what it affirms is that the State can manage that expansion if it directs spending to investments that increase future supply.

3.4 "Private banks create money, so the State is not sovereign"

Response: True, the fractional reserve system delegates most money creation (credit) to private banking, as demonstrated by McLeay et al. (2014) for the Bank of England. This generates instability, bubbles and crises, like that of 2008 (Minsky, 1982). A truly sovereign State cannot tolerate this delegation of power. Solutions exist:

- **Strict regulation:** limits on credit expansion, counter-cyclical capital requirements, separation of commercial and investment banking (Admati & Hellwig, 2013).
- **Full-reserve banking (sovereign money):** banks only lend money they already hold from depositors; they do not create money out of nothing. Issuance remains exclusively in the hands of the central bank (Positive Money, 2018). This proposal, which has been put to a referendum in Switzerland (Stern, 2019), is fully compatible with MMT.

3.5 "In a globalised world, one cannot issue without external constraint"

Response: The external constraint is real but not insurmountable. A sovereign country can:

- Sign currency swap agreements with other central banks, as China does with dozens of countries (Lin, 2015).
- Develop alternative payment systems to SWIFT, such as CIPS (China) or mBridge (BIS, 2022).
- Use its market power: the largest importer of oil can demand payment in its currency (petroyuan) (Yu, 2019).
- Maintain capital controls to avoid speculative flights (Gallagher, 2015).

The goal is not autarky, but a multipolar system where several sovereign currencies coexist. MMT does not require closing the economy; it requires managing it actively.

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4. The Supreme Criterion: Quality of Investment and Prioritisation of Needs

Throughout this text we have insisted that the mere act of issuing money is neither good nor bad in itself. What is decisive is what it is issued for. A State that prints money to finance weapons, tobacco and alcohol – industries that then seek to maximise addictive consumption – will generate misery, pollution and, very probably, inflation. A State that prints money to decontaminate rivers, build public housing, install renewable energies and guarantee universal education, healthcare and pensions will generate well-being and, in the long term, price stability.

MMT provides the tool (monetary sovereignty), but does not by itself answer the ethical and political question. That answer must come from organised citizens, democratic planning and a rigorous assessment of ecological impact.

Conclusion

Modern Monetary Theory, properly understood and applied with criteria of social justice and sustainability, is one of the most powerful tools to overcome the dogma of austerity and build economies at the service of people and the planet. Its most common criticisms are based on misunderstandings (equating issuance with hyperinflation), misinterpreted examples (Weimar, Zimbabwe) or the omission of real factors (wars, sanctions, bottlenecks).

The real challenges – the dominance of the dollar in world trade and the money-creation power of private banking – are addressable through multilateral agreements, financial technology and deep regulatory reforms, including full-reserve banking.

No monetary policy is neutral. The question is not whether the State should intervene – it already does, in favour of banks and elites – but in favour of whom and for what purposes. Monetary sovereignty is the condition of possibility for a people to democratically decide what kind of future they want to build. It is time to claim it.

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